

Docket No. 04-06
Communications Division
Public Information Room

Docket No. R-1181
Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System

From: "Julie Olson", j.olson@kleinet.com
Subject: Regulation BB-Community Reinvestment Act

I would like to comment on the proposed changes to Reg BB. We are in favor of the proposed change to the definition of "small institution" to mean an institution with total assets of less than \$500 million, without regard to any holding company assets for the following reasons.

Klein National Bank is a part of the 9-Bank holding company whose banks range in size from \$48,500,000 to \$184,000,000. None of the banks are at the \$250,000,000 threshold for Large Bank CRA reporting. Our holding company has assets of \$1,047,000,000 which qualifies us, currently, as a Large Bank for CRA reporting purposes.

The collection process of loan data has become cumbersome. The use of software has lightened the burden, but it is cost prohibitive for a smaller bank. Our experience is that even with the use of software, there is still some manual processing that is involved. This creates additional strains on the limited staff in smaller banks.

The current institution eligibility definition penalizes smaller banks owned by a single holding company. I do not believe that the holding company component of the eligible bank definition lives up to the original intention of the regulation.

We see minimal value in the loan reporting for the banks located outside a MSA. In our region, all the Block Numbering Areas are "Moderate to Low" income. The data collected from these banks provide no new information because there are no pockets of "low income" people to serve and measure.

Banks in smaller rural communities are committed to community growth as it sustains the community and the bank. Because loan volume is geographically limited in rural areas, you will find the banks in rural communities do an exceptional job of making CRA loans in their assessment area. Typically banks are eager to participate in economic development loans, low income housing projects, and similar loans, as long as they cash flow because this means an opportunity for community growth. Without community growth, the bank would be less profitable and banking services would shrink. The elimination of the holding company asset rule for Large Bank CRA reporting will not affect the commitment to CRA lending in rural communities.

Thank you.

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